



JPMorgan Chase Bank, N.A.
194 Wood Avenue South
Iselin, New Jersey 08830
Telephone: 732-452-6888
Fax: 732-452-8025

David B. Lowman
Home Lending CEO

December 22, 2009

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
Attn: Docket No. R-1366

Re: Docket No. R-1367; Proposed Revisions to Regulation Z – Open End

Dear Ms. Johnson,

JPMorgan Chase Bank, N.A. ("Chase") appreciates the opportunity to comment upon the proposal (the "Proposal") of the Board of Governors of the Federal Reserve System (the "Board") with respect to proposed revisions to Regulation Z which implements the Truth in Lending Act ("TILA"), appearing at 74 Federal Register 43428 (August 26, 2009).

I. GENERAL OBSERVATIONS

Chase strongly supports the Board's objective to provide meaningful disclosure of credit terms to enable consumers to compare different products and to avoid the misuse of credit. We applaud the Board's thorough and diligent efforts in working with consumers in an attempt to create disclosures that are clear and understandable and can assist consumers at the application stage and throughout the life of their home equity lines of credit ("HELOC").

We believe the Board's Proposals are successful in many ways in providing greater clarity to consumers. In many instances, however, the new disclosure documents proposed by the Board contain substantially the same information that is currently being provided by creditors, though in a different format. While we realize that format can contribute greatly to consumer understanding, we believe it is necessary to strike a balance between incremental clarity and the cost of achieving it. The changes proposed by the Board would require substantial programming changes which would be time consuming and costly. Those costs would ultimately be passed on to consumers. We urge the Board to consider whether changes that put "form over substance" are truly necessary to promote consumer understanding.

Chase will also comment on the Board's efforts to address other HELOC-related issues, particularly those related to line reduction, suspension and termination. We support the Board's efforts to address these issues, but wish to stress the need for creditors, working with their primary regulators, to have the flexibility to set credit standards and manage their portfolios and related risks to maintain safety and soundness standards.

II. NEW PROPOSED DISCLOSURES

A. Disclosures at Application

1. Key Questions to Ask About Home Equity Lines of Credit

Chase supports the Board's efforts to provide clear and meaningful disclosures to consumers with respect to HELOCs. We believe that the Board's proposal to substitute its Key Questions to Ask About Home Equity Lines of Credit document ("Key Questions") for lengthy booklets describing generically a creditor's HELOC plans and the Board's publication "What You Should Know About Home Equity Lines of Credit" is a very positive step. Key Questions clearly points out to consumers the salient features of HELOCs and will enable them to ask pertinent questions about the programs offered by a given creditor before incurring costs or entering into a transaction.

Chase suggests that the Board revise item 6, "Do I have to pay any fees?" to reflect the prevalence of no closing cost HELOC plans throughout the industry. Chase, for example, offers a no closing cost plan where all account-opening costs are borne by Chase. This is the plan selected by the vast majority of consumers. We also offer a "Best Rate" plan in which the consumer can elect to pay an origination fee in return for a lower interest rate. In order to more accurately depict the options available to consumers, Chase suggests that the Board revise item 6 to read as follows: "Under some plans, the lender will pay all of the closing or account opening costs. If you select such a plan, you may pay a higher interest rate. Under other plans, you pay closing costs such as application, account opening, appraisal, title-related fees and mortgage taxes, but may receive a lower interest rate. After your account is opened, you may be required to pay (i) fees to maintain your account such as an annual fee; (ii) fees to use your account, such as a cash advance fee; and (iii) penalty fees, such as late payment or over-the-credit-limit fees."

The Board has requested comment on whether the Key Questions document should accompany applications provided in magazines or other publications or as "Take One" forms. It is not Chase's practice to market our HELOC products through distribution of applications. We provide more general information about HELOCs and encourage the consumer to call us or to visit a branch or our website for more information. We believe it is important for consumers to receive disclosures at the point of application, by whatever means the application is distributed. We agree with

the Board's approach of requiring the Key Questions document to accompany the application, including in instances where it is published in magazines or distributed as a "Take One" form.

2. Early HELOC Disclosures

The Board has proposed a form of transaction-specific disclosure (the "Early HELOC" disclosure) to be provided to consumers within three (3) business days of application. Chase believes that an early disclosure would be beneficial to consumers. Disclosures currently provided by creditors are usually in narrative form and are not transaction specific. The Board's requirements with respect to both form and content, would require significant operational changes and substantial amounts of programming which could result in a limitation of the program options creditors will offer to consumers.

Chase proposes that a middle ground be established that would result in better information being provided to consumers without the burden to creditors of providing transaction-specific disclosures early in the application process. Instead of the narrative format currently used by many creditors, a table format could be used as suggested by the Board. Instead of being transaction specific, however, the form would be a more generic description of HELOC plans offered by the creditor, similar to ARM program disclosures provided for closed end mortgages. Examples based on sample rates and \$10,000 credit amounts could be provided in place of transaction-specific amounts for credit limit, APR, certain fees and payment amounts. Disclosures could be updated once a year or as programs change. As with ARM program disclosures, the consumer would receive a disclosure for each program offered by the creditor that the consumer inquires about. Since the Board proposes that creditors prepare the Early HELOC disclosures based on assumptions that will not necessarily reflect the consumer's actual use of credit, using generic examples instead of transaction-specific hypotheticals would not appear to have a significant negative impact on consumers. We believe this compromise approach would greatly enhance the disclosures provided to consumers without imposing undue burdens on creditors.

Chase has the following comments with respect to the Early HELOC disclosure as proposed by the Board.

Introduction

It should be clearly stated at the beginning of the form that the Early HELOC disclosure is not a commitment by the creditor to extend a HELOC to the consumer and that the terms disclosed in the form may not be the final terms offered to the consumer. Because the Early HELOC is provided three (3) business days after application, the creditor may not have had an opportunity to fully underwrite the loan. Terms may be subject to change based on a review of the consumer's credit, verification of employment or other factors, property value and title review. In

addition, applicants frequently request adjusted terms after the initial application, for example, switching from a no closing cost offer to a closing cost offer or vice versa.

Borrowing Guidelines

Chase believes that this section provides useful information subject to the understanding that the amount of the credit limit is the amount applied for by the consumer, not necessarily the amount that will be approved. As stated above, however, we prefer a generic approach to this disclosure that would use a sample credit limit.

Annual Percentage Rate

Chase has several comments with respect to APR related disclosures.

First, the APR disclosed may not be the APR for which the consumer ultimately qualifies. It may be useful to add a statement explaining how APRs may be determined. We suggest the following: "APRs quoted are subject to change based on credit score, loan to value and other factors. Your APR may increase or decrease as a result of these factors."

The maximum APR is often the usury limit or other rate that is extremely unlikely to be reached. In order to avoid unnecessarily discouraging consumers from applying for HELOCs, perhaps a statement should be included encouraging the consumer to view the historical activity of their index to determine the likelihood of reaching the maximum rate.

Chase believes that showing the high/low index values over a 15-year period is preferable to providing a 15-year history and agrees with the Board that this change would be beneficial. Guidance is requested on how the 15-year period should be determined. Chase's preference is to continue the practice currently in place for the 15-year history table of using the index in effect for the same month and day each year (e.g., July 15). For example, a consumer applying for a HELOC in December, 2009 would be provided high/low indices based on those in effect for July 15 of 1994-2009. We believe this approach is preferable to a transaction-specific look back based on the date of the consumer's application. Substantially less programming would be required and the consumer would have a reasonable range of information on which to proceed.

The Board has requested comment on whether a 15-year high/low APR should be provided as well. Chase believes this would have little incremental value to the consumer since the current and maximum APRs and related payment amounts are disclosed to the consumer in the payment comparison grid.

Fees

Disclosure of fees is beneficial to consumers and generally does not pose significant issues for creditors. Chase requests clarification on whether disclosures of insurance related fees are limited to fees for required credit insurance or debt cancellation or suspension coverage. It is unlikely whether the creditor would know this early in the transaction whether the consumer has elected to purchase optional insurance.

The Board has requested comment on whether property insurance requirements should be disclosed. Chase would not object to including a general statement such as “You are required to maintain a hazard insurance policy in an amount at least equal to the insurable value of the improvements on your property.” Requirements with respect to other types of insurance (e.g., flood) would likely not be known at this stage of the transaction. A general statement that the creditor will advise the consumer of any additional requirements could be included. Chase believes, however, that including insurance information in the Early HELOC would not be of value to most borrowers since insurance requirements will already have been established by the holder of the consumer’s first mortgage.

Borrowing and Repayment Terms

Chase does not anticipate any issues providing this information to consumers in the form requested.

Payment Plans

Chase believes the Board has selected appropriate topics for disclosure with respect to payment plans.

We share the Board’s concern with striking a balance between providing the consumer with too much information or too little. However, we do not agree that the Board’s approach of comparing two payment plans is the best way to achieve that.

Chase currently offers two payment plans: interest only or one percent (1%) of balance. Depending on the consumer’s credit, the consumer may only qualify for the 1% plan. Other creditors, however, may offer a wider range of options and we believe the Board should be more flexible in its approach to disclosure to accommodate the variety of the market place.

If the creditor offers more than two payment plans, the consumer is under-informed if only two are disclosed. No guidance is given on how to determine which of multiple plans to include in the disclosure. Consumers could complain that they were not properly informed or were misled if only select information is provided. Others might feel that they were “steered” to a certain plan based on the creditor’s selection, while the consumer may feel that another plan is more attractive. While

information on other plans could be provided in separate tables as the Board suggests, we think this could make it harder for consumers to compare. For example, if Plans A and B are in one document and Plans C and D are in another, a consumer who wanted to compare A and D or B and C or some other combination of plans would have a more difficult time doing so.

It is also possible that different plans will have different indices, APRs, fees and other features. If information about each of these features has to be disclosed for each plan, the Early HELOC disclosure will become lengthy and unwieldy. We believe this would greatly diminish its value to consumers.

The above concerns could be addressed by providing a separate disclosure to consumers for each plan. This would facilitate comparison of plans the consumer is interested in by enabling them to literally view them side-by-side. It would also eliminate the burden that comparison style programming would pose to creditors.

Plan Comparison: Sample Payments

The information provided to the consumer in the payment comparison table is useful, but we suggest a number of changes. Payment information should be based on a sample line amount instead of the consumer's requested credit limit. As the Early HELOC already makes clear, payment amounts shown are based on certain assumptions such as drawing down the full line amount and no change in interest rate. As the Board points out, the consumer's actual transaction and payment amount will most likely be different. Since the information provided will be hypothetical in any case, and the consumer will have to make independent conclusions based on their anticipated borrowing and repayment behavior, Chase believes that giving a generic example would provide sufficient information to the consumer without imposing the burdens of transaction-specific programming on the creditor.

Fixed Interest Rate

The Board has indicated that creditors should not include information about fixed rate options in the Early HELOC except to disclose (i) the existence of the fixed rate option; (ii) the amount of the credit line to which it applies; and (iii) advising the consumer to ask for more information. More complete information would be provided separately, in table form, as soon as reasonably possible after the consumer's request. The Board has not provided a model form for disclosing fixed rate features and Chase requests further clarification in this regard.

Risks

Chase has no issues with the topics covered. We agree that the tax disclosure should be included even for plans that do not permit borrowing in excess of the fair market value of the property.

Miscellaneous

The Board has requested comment about the type of information it should include on its HELOC website. Chase maintains a home equity website. It includes information about the differences between home equity loans and lines of credit, program and rate information, a link to a third party vendor's home valuation website to enable consumers to obtain estimates of their property's value, and various calculators that enable consumers to assess their ability to borrow and the costs of doing so.

Chase encourages the Board to take a leadership role in consumer education and provide calculators and other tools that consumers can use to assess costs, see the impact of making minimum vs. higher payments, or track the movement of various indices. If the Board provides such tools and creditors refer consumers to them, consumers' financial savvy will increase significantly. They can try out various "what if" scenarios driven by their anticipated credit use behavior to see the results and differences. Interactive, personalized tools will provide consumers with far more accurate information than the hypothetical examples (whether or not transaction specific) in the Early HELOC disclosures. Consumers can rely on the Board as an accurate and consumer friendly source of information and having a resource from which all consumers can obtain the same information will be helpful. We propose this as a means of enhancing consumer education while reducing the programming burden for creditors.

B. Account Opening Disclosures

Chase believes that the best approach to disclosure would be to provide generic Early HELOC disclosures as suggested above, followed by transaction-specific disclosures at account opening.

The differences between the Early HELOC disclosure and the Account Opening disclosure proposed by the Board are minimal. Accordingly, Chase has few additional comments. We do question the appropriateness of the statement at the end of the form that "the consumer should use this form to confirm that these are the terms for which the consumer applied." It may frequently be the case that this statement is not true. The consumer may not be eligible for the line amount, APR or other terms for which he or she initially applied. Chase suggests that alternative language be made available. For example: "You should use this form to confirm that these are the terms that have been offered and that you are willing to accept."

The account opening disclosure is not a contract. It provides summary information to consumers but does not contain the level of detail or full description of the parties' legal obligations that will appear in the HELOC agreement to be entered into between the parties. The Board should revise the form of Account Opening disclosure to make sure this is clear to the consumer. We suggest adding the following: "See your

HELOC Agreement for a more detailed description of the terms of your HELOC and your legal and financial obligations.”

C. Periodic Statements

Chase appreciates the efforts undertaken by the Board to make periodic statements clearer to consumers. We find the form of periodic statement proposed by the Board to be clear and user-friendly. However, we believe that there are many ways in which information can be presented to consumers in a clear and intelligent manner. As long as that goal is achieved, it is not beneficial to anyone for the Board to impose strict formatting requirements. The benefit to consumers of doing so is minimal compared to the cost to creditors.

Chase’s periodic statement contains substantially the same information as the Board’s proposed form, though a few differences exist. Most of those differences are purely format. For example, in its Summary, the Board breaks out fixed and variable rate advances. Chase discloses aggregate advances in its summary, but separate sections of the statement show fixed versus variable rate activity, including advances. The Board’s Transaction section discloses variable rate account activity separately from fixed rate activity. Chase’s Activity section, the equivalent of the Board’s Transactions section, shows account activity chronologically. Activities on variable and fixed rate portions of the account are summarized elsewhere in the statement.

Some of the changes proposed by the Board are more substantive in nature. The Board proposes eliminating the concept of “Effective APR”. Chase agrees with the Board’s proposal. We have found that consumers do not understand Effective APR and often raise questions about it. It is more a distraction for consumers than a piece of useful information and we believe its elimination is a positive step.

The Board proposes breaking out finance charges into interest and fees. We believe this would be a significant change for creditors and of minimal utility to consumers. Consumers know that the finance charge is the cost of credit. They can easily determine from the statement what it is costing them to borrow money. The change proposed by the Board may be a “nice to have,” but we do not consider it a significant improvement. Similarly, in response to the Board’s request for comment, we do not believe that grouping fees together instead of interspersing them with transactions is necessary to enable consumers to find them. It is possible that consumers would locate grouped fees more quickly, but it is not difficult to read a Transactions or Activity section in the periodic statement and see the fees that are being charged. In Chase’s statement there is a separate column in the Activity section for Debits/Advances/Fees. By looking down this column and noting the description of the transaction to the left of the dollar amount that appears, the consumer can easily identify the charges imposed.

The Board has also proposed that a summary of changes to account terms be included on the first page of the statement whenever a notice of change in terms is provided in or with the periodic statement. Chase will comment more generally later in

this letter on the Board's proposals with respect to change in terms notices. However, we do object to the Board's requirement of including the notice on the statement. HELOC changes in terms are a relatively rare occurrence and the programming costs to insert a change in terms block in the format proposed by the Board would be prohibitive. Narrative format without boxes and shading would be far more feasible. The alternative would be a stand-alone mailing, which is also quite costly.

Chase urges the Board to concentrate on the substance of information communicated to consumers. Creditors should, of course, present information to consumers in a manner that is clear and understandable, and the Board should enforce such requirements. The Board should recognize, however, that there is more than one way to accomplish this. Unlike other HELOC disclosures where complex transaction terms are disclosed, statements are relatively uncomplicated. As long as creditors adhere to a general standard of clarity, we believe consumers have the ability to read a periodic statement and glean the information they need without the imposition of rigid format requirements.

D. Change in Terms Notices

The Board has proposed changes to Section 226.9(c) that would expand the circumstances under which change in terms notices must be provided and lengthen the notice requirements.

The circumstances under which a creditor may unilaterally change the terms of a HELOC are severely limited, so change in terms notices are not required to be given frequently. As a result, Chase does not expect the format or timing of notices to have a major impact on creditors and does not object to the Board's proposals subject to our comments above with respect to including a summary in the periodic statement.

The Board has requested comment on whether 45 days notice is appropriate. Chase believes that it is. Opportunities for changes in terms are so limited that 45 days should be sufficient reaction time for consumers.

The Board has also proposed expanding the circumstances under which change in terms notices must be given to include rate increases due to a triggering event specified in the account agreement such as loss of a preferred rate. Events which currently require change in terms notices are generally global or bulk events affecting large groups of consumers. Changes are initiated by the creditor and corporate projects are undertaken to create the necessary notifications and send them to consumers within the required time frames. Loss of a preferred rate is quite a different situation. Preferred rates may be granted to employees, consumers who maintain a checking account with the creditor, customers who pay through ACH, and others who are given a benefit based on a relationship. Promotional materials for the benefit and the account agreements of those who receive the benefit clearly disclose that the benefit ends and the rate increases if the relationship is terminated. Termination of the relationship is within the control of the consumer. It is not a unilateral action of the creditor against which a consumer needs to

be protected. It is purely a matter of consumer choice. In that context, we do not believe it is appropriate to require creditors to track consumer-initiated changes and provide one-off change in terms notices and, particularly, one-off periodic statement change summaries.

III. OTHER PROPOSALS

A. HELOC Termination, Suspension and Reinstatement

Chase is one of the largest HELOC lenders in the country and has a large and diversified portfolio. Since the decline in the housing market and the onset of the financial crisis we have been working diligently, along with our primary regulator, the Office of the Comptroller of the Currency (“OCC”), to review our portfolio and to minimize risks that may be associated with it. Our goal is to make sure that our borrowers have suitable loans that they are able to manage and repay. Achieving this goal protects consumers against default (and the attendant damage to their credit) and loss of their homes while enabling Chase to maintain its safety and soundness standards. We believe that addressing HELOC issues that have resulted from declining property values and a changed economy is an important element in working towards recovery. We welcome the opportunity to comment on the Board’s Proposal in this regard.

First, Chase requests that the Board clarify that its Proposal will apply prospectively only, i.e., to line terminations, suspensions and reinstatements that occur after the effective date.

There are several key elements to the Board’s Proposal. We will address them below.

1. Safe Harbors and Property Value

The Board proposes amending the Commentary to Regulation Z to create two “safe harbors” in connection with line blocks or reductions based on property value. For lines where the initial combined loan-to-value ratio (“CLTV”) was 90% or more, a 5% decline in value would be considered significant. If the initial CLTV was below 90%, the current safe harbor of a 50% decline in equity cushion would remain in effect.

Chase believes that the Board should retain the current safe harbor of a 50% decline in equity cushion for all CLTVs. CLTVs in excess of 90% pose the greatest risk to consumers and creditors alike. A consumer with a high CLTV HELOC at the time of origination is most likely to have an excessive current CLTV because of declines in property values. We have also found that borrowers who start at a lower CLTV but experience increases in CLTV due to decreases in property value pose a significant risk of default. Creditors must be able to react to such high risks and bring consumers into line with current credit standards.

The Board has proposed several guidelines for credit line reduction such as (i) no more than the dollar amount of the property value decline, or (ii) no more than the amount needed to restore the creditor's equity cushion at origination, and has requested comment on these and other possible guidelines. Chase believes that it is essential to bring outstanding high risk HELOCs into line with today's credit standards, including maximum permitted CLTV, and that the Board should not restrict the ability of a creditor, working with its primary regulator, to adopt appropriate standards.

Chase supports the Board's proposal to enable creditors to consider changes in equity due to increases in the senior lien through negative amortization or other causes even if there has been no change in property value. We would also consider increases in equity position without an increase in property value, such as paying off a senior lien. We note, however, that such information may not be readily available from credit reports and other sources.

2. Appraisal

The Board proposes deleting references to "appraised" value of the dwelling to clarify that an appraisal is not required for line origination or reduction. Any property valuation method used, however, must consider specific characteristics of the property, such as room count and square footage.

Chase agrees with the Board's position. AVMs and other housing valuation tools are frequently relied on by creditors and have proven extremely useful.

3. Material Change

The Proposal would permit creditors to suspend lines if there is a material change in the financial condition of the consumer resulting in a reasonable belief that the consumer will be unable to meet their payment obligations. The Commentary would be revised to indicate that credit report information showing late or non-payment of other debts within a reasonable period of time, such as 6 months, from the date of review is evidence of a material change.

The Proposal would also prohibit line termination or acceleration unless the consumer is 30 or more days delinquent. Termination would also be permitted based on fraud or material misrepresentation, consumer action that adversely affects the collateral, or if federal law requires termination.

Chase takes action with respect to HELOCs based on several factors including changes in the consumer's financial condition. These include reduction in FICO score coupled with late payments shown on credit reports. We support the Board's proposal to set a standard of 30 days or more delinquent as a basis for creditor action, but request that the Board clarify that 30 days delinquent means one missed monthly payment regardless of the actual number of days in the month. We also believe that the 6-month look back period proposed by the Board is reasonable.

We strongly urge the Board to enable creditors to have flexibility in setting credit standards and responding to changing risk environments. In response to the Board's request for comment, we urge the Board to affirmatively state that reliance on FICO score or a similar indicator is a permitted basis for determining a consumer's ability to pay. We also urge the Board to avoid the use of judgmental terms that are subject to interpretation, such as requiring a finding that a change in financial circumstances renders a consumer "substantially" more likely to default.

Chase agrees with the Board's position that creditors should be able to terminate a HELOC if required to do so by federal law or regulation. We agree that this should apply to any federal law or regulation and not be limited to Regulation O as it is currently. Further, in response to the Board's request for comment, we believe creditors should be able to act based on regulatory guidance, orders and similar pronouncements that may or may not have the force of law.

4. Notice and Reinstatement

The Board's Proposal would create new requirements with respect to notice and reinstatement. Creditors would be required to reinstate "as soon as reasonably possible" after the condition resulting in line limitation ceases to exist. This obligation could be met by monitoring lines or by advising consumers of their right to request reinstatement. Notices to consumers of action taken would be required to advise consumers of their right to appeal the creditor's action and request reinstatement. Creditors would be required to evaluate the reinstatement request and respond within 30 days. The first reinstatement investigation would be at the expense of the creditor. If reinstatement is denied based on property value, the creditor would be required to provide supporting documentation to the consumer.

Chase's practice is to include in the notice of line reduction or suspension information about the appeal process that is available to the consumer if they believe that the information on which we have acted is not accurate, whether it relates to property value or change in financial condition. If the action was based on property value, the consumer may obtain an appraisal from a Chase-approved vendor to contest our conclusion. If the customer is right, Chase will reimburse them for the cost of the appraisal. If the action was related to change in financial condition, the consumer can submit proof of payment or other relevant information to appeal the decision. We have found that a very small percentage of customers actually pursue the appeals process for change in financial condition.

We believe that creditors should have a choice between monitoring to determine when reinstatement may be warranted and requiring the consumer to request reinstatement. We find responding to consumer requests a more satisfactory process because it is geared toward the personal, account-specific review that is needed. It also enables consumers to choose whether they desire reinstatement. Consumers understand the economic environment we are in, including the declines in property value and the

risks of having too much credit. In many cases, they see the value of reduced exposure. We believe this is borne out by the extremely low appeal rate we have experienced. We acknowledge that there is a higher rate of successful appeals on declining property value, but believe this is largely due to the fact that customers are required to pay the cost of the appeal and are, therefore, less likely to submit frivolous appeals.

Chase is opposed to the Board's proposal that the creditor bear the cost of the first reinstatement request, particularly when action was taken based on collateral value. We believe that the only reasonable way to re-evaluate an action taken based on collateral value is to obtain an appraisal. Obtaining another AVM would be inexpensive, but useless since it would not provide any new information. Appraisals, on the other hand, can be costly. Having the creditor bear the cost would greatly increase the volume of reinstatement requests, many of which would be frivolous, and would be prohibitively expensive. We believe that our approach of requiring the consumer to bear the cost of the appraisal assures that we have a motivated customer who is confident in their position, rather than one who is taking a chance at reinstatement because there is no reason not to. Our commitment to reimburse the customer for the cost of the appraisal in situations where reinstatement is warranted is an equitable solution.

The Board has suggested a 30 days response time for reinstatement requests. Thirty days is feasible in most instances, but as reinstatement volume increases – and we believe it will as property values stabilize and consumers' credit improves – a longer time frame such as 45 or 60 days would be more appropriate.

5. Default of a Material Obligation

Proposed comment 226.5b(f)(3)(vi) – 7 would require creditors to specify events that qualify as a default of a material obligation. The current comment merely allows creditors to do so. Chase believes a required itemization of events would be unduly burdensome to creditors and not useful to consumers as it would require a recitation of all material obligations in either the credit agreement or security instrument. Today, some creditors provide a statement that all obligations under the agreements are considered material. Chase requests that the current permissive language remain unchanged or that the Board clearly allow creditors to state that all obligations are material.

B. Optional Insurance

Chase supports the Board's position of continuing to exclude the cost of optional insurance, such as credit insurance, debt suspension and debt cancellation coverage from the finance charge on open end home secured credit if disclosure and consent requirements are met. (It should be excluded for closed end home secured credit as well, and we do not think that different treatment for open and closed end credit is warranted in this regard.)

We are concerned, however, with the Board's new requirement that creditors determine consumer eligibility in order to qualify for the exclusion. Determining

whether the consumer meets employment eligibility criteria is significantly more complicated than verifying age-eligibility. For example, in order to keep costs manageable, products available in the market today often exclude certain types of employment, such as temporary or seasonal work, from eligibility for unemployment benefits. Similarly, some plans may have a minimum working hour requirement such as 30 hours per week. This type of information is not customarily required by creditors for credit underwriting purposes as long as documented income is adequate. We request that the Board explicitly permit creditors to obtain a signed disclosure informing the consumer of the employment requirements and an affirmation by the consumer that he or she meets those requirements.

Chase supports the Board's proposal to not require creditors to determine a consumer's continuing eligibility under age and employment criteria. As a practical matter, creditors have no way to track employment status post-enrollment. Consumers will be sensitized to these requirements via the Board's proposed disclosure requirements and through the product disclosure requirements already mandated by federal and state insurance laws, debt cancellation product regulation and disclosure requirements (such as Part 37 of the regulations issued by the OCC). The Board's guidance limiting eligibility determinations to the time of enrollment should be included in the Commentary.

C. Implementation and Effective Date

Some provisions of the Board's Proposal will be easier for creditors to comply with promptly and others will take more time. Chase recommends a staggered implementation period corresponding to the time necessary for creditors to make systems changes and to train originators, processors, underwriters, servicing personnel and compliance personnel. Chase suggests the following maximum implementation periods:

- Six months: Key Questions disclosure; HELOC termination, suspension and reinstatement requirements; change in terms notification requirements and optional insurance requirements
- Eighteen months: Early HELOC and Account Opening disclosures; periodic statements

Chase believes that provisions with respect to HELOC termination, suspension and reinstatement, change in terms notices, the Key Questions disclosure and optional insurance could be implemented within six months after the rule become final.

The proposed Early HELOC and Account Opening disclosures and the periodic statement, particularly the format requirements, will involve significant systems and programming changes for Chase and its vendors. Process changes and retraining of personnel will also be required. Because of the extent of the proposed changes, a period of eighteen months will be needed to implement them.

Board of Governors of the Federal Reserve System
December 22, 2009

IV. CONCLUSION

Chase appreciates the opportunity to provide comments on the sweeping changes proposed by the Board and the critical issues they raise. We applaud the Board's stated intention to strike a balance between the need for clear and understandable disclosures that consumers will read and act on, and the burden on creditors of implementing those disclosures. We have pointed out instances where those burdens could be reduced without significant adverse impact on consumers by replacing transaction-specific disclosures with more general information, or by being flexible about format when substantive requirements are met. We urge the Board to consider these suggestions in order to achieve a balanced solution that is beneficial to all concerned.

If you have any questions, please contact Denise DesRosiers at 813-881-2908.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dave Lowman".

David B. Lowman

cc: Denise DesRosiers